



## 2014-2016 Housing Levy A&F Plan Rental Housing Program

### Bridge Lending

**Proposal:** *The 2009 Housing Levy's Acquisition & Opportunity Loans were intended to respond to opportunities in a slower economic environment by allowing strategic acquisition of development sites for low-income housing. The economy has recovered and the A & O Loan funds are now needed for permanent financing. The program has met Levy funding and production goals, and OH is proposing to allow it to sunset.*

*Oh's Bridge Lending will continue, and policies governing short-term loans for rental housing should be moved from the A & O Loan section to a new section in the Rental Production and Preservation Program section. Funding authorization for bridge loans, including the Community Cornerstone initiative, would be provided in the Program Funding Plan section.*

*Policy changes: Provide for lower interest rate when OH funds leverage other bridge loan sources. Allow for extensions of loan term and clarify requirements. Clarify requirement for a 50-year covenant at time of bridge financing.*

### **New Section. Bridge Loans**

OH may provide short-term financing to assist in the development of projects that meet the objectives and priorities of the Rental Housing Program. OH will issue a Notice of Funds Available (NOFA) for bridge financing, and may accept applications on a rolling basis. Bridge loans must be used for site acquisition, which includes the acquisition of improved or unimproved property, or both, to assist in the development of low-income rental housing. Once completed, the housing development must provide affordable housing consistent with ~~affordability and other guidelines for the Rental Housing Program~~ policies. Project sponsors must demonstrate that bridge financing is necessary for the proposed project to proceed, and that there is a high likelihood of obtaining permanent financing within two years.

To be eligible for ~~an A & O~~ a bridge loan, the borrower must meet all eligibility requirements for the Rental Housing Program. In addition, the borrower must have successfully developed and operated at least three affordable housing projects; be in good standing on any OH loans; and have demonstrated capacity to secure permanent financing for the proposed project before the loan maturity date.

The interest rate on bridge loans shall be no less than 3% simple interest, except that the Director may authorize a lower rate in order to leverage other funds that, together with OH funds, create a blended rate of 3%. Accrued interest shall be paid in full when the loan is repaid. The maximum term shall be 2 years. The Director shall have the option to allow extensions. Any extensions beyond a total term of 3 years shall be conditioned on sponsors re-submitting updated proposals for approval by OH.

A covenant will be recorded against the property that requires continued use of all or a portion of the property for low-income housing for a minimum period of 50 years, and for any period for which the loan is extended. Unless otherwise agreed by the Director, the covenant shall continue in effect if the loan is repaid or discharged before the maturity. The Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, if the Director determines that development of low-income housing is infeasible and that the loan should be repaid.

#### **New Section: Program Funding Plan, Bridge Loans**

OH may use any funds derived from the 1986, 1995, 2002, and/or 2009 housing levy, alone or together with other funds, to make bridge loans to assist in the development of low-income housing. Bridge loans funded with prior housing levy funds shall be subject to current Rental Housing Program objectives, priorities, and policies, to the extent consistent with ordinances submitted to the voters (Ordinances 112904, 117711 and 120823) and applicable State law. Repayments on bridge loans funded with prior housing levy funds will be allocated to the subfund from which the loan was made. For bridge loans using 1986, 1995, and/or 2002 levy funding, household incomes and affordability limits shall not exceed 50% of median income.